

OFFICE OF THE WASHINGTON STATE LIQUOR CONTROL BOARD

December 14, 1976

A special meeting of the Washington State Liquor Control Board was called to order at 9:30 a.m. Tuesday, December 14, 1976, in the board conference room, fifth floor, Capital Plaza Building, Olympia, by board chairman Jack Hood. A quorum was present. The board secretary was present. Present also to confer with the board were board staff members Bob Hilson and assistant attorney general Arthur Mickey.

PUBLIC HEARING--POST-OFF. Board chairman Jack Hood announced this is the date and time scheduled for a public hearing, to consider and take action concerning the amendment of Rules (49), (49.5), (81) and (82) relating to beer and wine wholesale price postings and beer and wine suppliers' price filings. Chairman Hood said Notice #7279 was filed with the Code Reviser's Office on November 23, 1976, and mailed to the various news media and to interested persons.

Forty-eight persons present at the public hearing were the following:

Sparke Crothers	Bingen	Sparke's Distributing Co.
Robert Blum	Centralia	Cowlitz Distributing Co.
John Huddleson	Seattle	Wash. Beer & Wine Whslrs. Assn.
Joe Krause	Burlington	Skagit Distributing Co.
Dale Shintaffer	Bellingham	Sound Beverage Co.
Wayne Clough	Bellingham	Whatcom Beverage Co.
Don Barton	Seattle	G. Raden & Sons
Jim Campbell	Moses Lake	Campbell Distributing, Inc.
Al Roth	Moses Lake	Roth Distributing Co.
Bill Kellogg	Seattle	Rainier Brewery
Jim Martani	Seattle	Rainier Brewery
Fred Backlund	Spokane	Beverage Distributors
Paul Wanke	Ephrata	Wanke Distributors
Irving Levine	Seattle	K & L Distributors
Ralph Klemmer	Seattle	K & L Distributors
Clyde Pitcher	Everett	Clark Distributing Co.
Bud Seifert	Vancouver	Crown Distributing Co.
Al Tolikes	Vancouver	Evergreen Distributing Co., Inc.
Jim Link	Longview	Standard Beer Distributing Co.
Tom Hopper	Olympia	South Shore Distributing
Gary Tabert	Everett	Clark Distributing Co.
Ted Bridges	Bellevue	Schlitz Brewing Co.
Rick Taibl	Tacoma	Schlitz Brewing Co.
Chet Fiedler	Mount Vernon	Fiedler Distributing, Inc.
Bob Ross	Tacoma	Carling National Brewers
Louis A. Simpson	Tacoma	Carling National Brewers
Phillip Kochevar	Enumclaw	John Kochevar & Sons
William Cammarano	Tacoma	Cammarano Brothers
Cedrick Clark	Yakima	Yakima County Beverage Co.
Kenneth Graham	Bellingham	Bell Rainier
Bob Jennings	Bremerton	Jennings Corporation
E. J. Breene	Everett	Friendly Distributors
Ralph M. Smith, Jr.	Yakima	Cheney Beverage Co.
Richard Whipple	Spokane	Coors Distributing Co.

DEFENDANT'S  
EXHIBIT

CASE  
NO. C04-0360P

EXHIBIT  
NO. 475

December 14, 1976

Kenneth W. Bennett	Renton	Totem Beverages, Inc.
Fred Bevegwi	Tacoma	Western Beer
Ralph Benaroya	Edmonds	Consolidated Beverage
Ford Basel	Kent	City Beverage
Gary Dennis	Raymond	Dennis Company
Vernon L. Lindskog	Olympia	Wash. Beer & Wine Whslrs, Assn.
Ron Murphy	Seattle	U. S. Brewers Assn.
Lloyd Diddy	Olympia	Olympia Brewing
Robert W. Sampson	Olympia	Olympia Brewing
Elaine Shintaffer	Bellingham	Sound Beverage Co.
L. J. Costani	Tacoma	Lindberg Distributing
Frank Pignatori	Tacoma	General Beer Distributors
Carl Mullen	Vancouver	General Brewing
James P. Milnor	Yakima	Milnor Distributing Co.

All present indicated they were opposed to adoption of the proposed changes to the regulations.

Jack Matthews, California Wine Institute, telephoned December 10, 1976, and said he would not appear at the hearing on Tuesday, December 14, 1976. They decided not to vote either for or against the proposed changes.

Twenty-five letters opposing the proposed changes were received from the following:

Blair, Schafer, Hutchison, Wynne,	
Potter & Horton	Vancouver
Jerry Marvell - United Distributors	Port Angeles
Skagit Distributing Company, Inc.	Burlington
John Kochevar & Sons, Inc.	Enumclaw
Sunset Distributors, Inc.	Seattle
Campbell Distributing, Inc.	Moses Lake
Crown Distributing Company, Inc.	Everett
Whatcom Beverage, Inc.	Bellingham
National Distributing Company, Inc.	Tacoma
Jennings Corporation	Bremerton
State Distributing Company	Tacoma
City Beverage Distributors, Inc.	Kent
Evergreen Distributing Company, Inc.	Vancouver
Sparke's Distributing Company	Bingen
Clark Distributing Company, Inc.	Everett
Cascade Beverage Company	Ellensburg
Roth Distributing Company	Moses Lake
B & B Distributors, Inc.	Spokane
August Distributors	Spokane
Coors Distributing Company	Spokane
Northwest Distributors	Spokane
Rake's Mountain Distributors	Spokane
Spokane Distributors, Inc.	Spokane
Carling National Breweries, Inc.	Tacoma
Olympia Brewing Company	Olympia

Chairman Jack Hood asked if there were persons present who desired to speak either in favor of or in opposition to any of these proposed amended rules?

Vernon Lindskog said he represented the Washington Beer and Wine Wholesalers' Association. Lindskog said the board appeared to have given the minimum public notice of a public hearing. He said

Resp to Costco RFP  
3284

December 14, 1976

the present rules were acceptable to the membership, but many had not had a chance to evaluate the impact of the proposed changes. He said from his sampling there appeared to be a limited concensus of opposition to the proposed changes.

Lindskog said, if the board was really serious about adopting the regulations as proposed, the industry should be given an opportunity to review and study the impact of the proposed changes.

Board member Leroy Hittle said the size of the audience indicated that proper notice of a public hearing had been given.

Lindskog said, hopefully, there would be more time to consider the impact.

Hittle said there had been a meeting December 1, 1976, with officers of the Beer and Wine Wholesalers Association and a representative of the U.S. Brewers Association so there would be adequate time to consider the impact. He also cited the many letters received from individual distributors in opposition to the proposed changes.

Ron Murphy, U.S. Brewers Association, said there is a division among the members of the U.S. Brewers Association over the issue of post-offs. As a result, Murphy said the association takes no position on the question of post-offs. He said representatives of individual breweries were here to speak for themselves. However, said Murphy, if there was to be a change, they, the Association, want to be considered.

Lloyd Diddy, Olympia Brewing, Olympia, vice president for public relations, cited a letter from Leopold Schmidt, President of Olympia Brewing, in opposition to the concept of post-offs. Diddy said we are presently well served by the existing regulations. Diddy said there would be no benefit to the industry or the consumer by changing the regulations and allowing post-offs. Post-offs according to Diddy, were a destructive practice and effectively cut into the profits of both the brewer and the wholesaler, thereby endangering the stability of the industry and causing the loss of jobs.

Jim Martin, speaking for Rainier Brewing, said he supported the Olympia Brewery position and opposed the proposed changes.

Martin said post-offs would reduce the profitability of Rainier by half. Martin said experience shows that post-offs are costly. A

December 14, 1976

reduction of \$.50 to \$.60 a case can reduce profit by 50%. He cited the experience of Oregon as an example. With 70% of its production being distributed locally, Rainier cannot absorb the cost of post-offs as the national breweries can; they can spread the cost nationwide according to Martin.

Speaking of the distributor, Martin said that \$.25 to \$.30 a case post-off could wipe out all the distributor's gross profit.

Martin said attempting to compete with post-offs has a heavy effect on small operators; they reduce staff, then service, then volume. Post-offs cause price fluctuations in the tavern business so that distributors must begin to offer premiums and loss leaders. He said the small operator loses out to the big one, then the bigger operator can charge whatever the traffic will bear. According to Martin, chaotic pricing has a detrimental impact according to the size of the business. Martin said consumers in the northwest can reduce their cost by recycling the empty bottles.

Hittle asked if Olympia Brewing offered post-offs in other states where they are permitted. Bob Sampson, counsel for Olympia Brewing, said they did, but only to meet competition. Hittle then asked about Rainier Brewing and Martin said they too met competition.

Carl Mullen, Lucky Lager Brewing, supported the position of Rainier Brewery. Mullen said California had post-offs but they discontinued them recently. He said Lucky met the competition as far as post-offs are concerned.

Hilson said the discussion so far had involved beer only; he was also concerned with wine post-offs and wanted that part of his problem cleared up.

Hittle explained that the proposed changes originated with the board. He said the board was publicly criticized for passing on post-offs on spirits to its customers and not allowing distributors to do likewise on wines. He said the proposed regulation could let distributors pass on the post-offs to their customers. He said in this time of public clamor to deregulate, the proposed changes gave the distributors a chance to eliminate the regulation prohibiting post-offs. Hittle said the obvious answer from the testimony, from

Resp to Costco RFP  
3286

TX475-004

December 14, 1976

the letters received in opposition, from the presence of so many distributors in opposition, and from the opposition of brewers and members of the Beer and Wine Wholesalers' Association, that they did not want to eliminate the prohibition against post-offs.

Hittle moved that changes proposed by the board at the public hearing be deleted, except for those references to Chapter 19.90 RCW, Unfair Practices Act, which replace references to Regulation (124)(4). The motion was seconded and adopted.

Hittle's move to adopt the regulations as amended was adopted. Thereupon, Resolution No. 60 was adopted amending regulations as follows: WAC 314-20-100 BEER WHOLESALE PRICE POSTING (Rule (49)); WAC 314-20-105 BEER SUPPLIERS PRICE FILINGS, CONTRACTS AND MEMORANDA (Rule (49.5)); WAC 314-24-190 WINE WHOLESALE PRICE POSTING (Rule (81)); and WAC 314-24-200 WINE SUPPLIERS PRICE FILINGS, CONTRACTS AND MEMORANDA (Rule (82)), to be effective January 14, 1977, a copy of which is attached as part of these minutes.

The special meeting adjourned at 10:30 a.m.

The regular meeting of the Washington State Liquor Control Board was called to order at 11:00 a.m. Tuesday, December 14, 1976, in the board conference room, fifth floor, Capital Plaza Building, Olympia, by board member Leroy Hittle. A quorum was present. The board secretary was present.

STORE NO. 141, LAKE STEVENS. The board approved the expenditure of \$790.00 to install and maintain for 60 months a local gong alarm system at Liquor Store No. 141, Lake Stevens.

STORE NO. 139, SUMNER. The board approved placement of a newspaper collection box by the Sumner Rainbow Girls on the grounds of Store No. 139, Sumner. It is understood that the box may be removed by direction of the board.

DISTRIBUTION OF PROFITS. Upon the recommendation of Jim Hoing, the board approved the distribution of \$10 million in excess funds from the

Resp to Costco RFP  
3287

TX475-005

December 14, 1976

liquor revolving fund to be made available to the State General Fund,  
cities and counties on December 28, 1976.

BUSINESS COORDINATION ACT. In response to a memorandum from Governor  
Evans, December 8, 1976, the board named Ray Hensel, License Division,  
to represent the board in connection with implementation of the  
Business Coordination Act.

Meeting adjourned.

Chairman \_\_\_\_\_

Member \_\_\_\_\_

Member \_\_\_\_\_

Attest:

*Douglas B. Alexander*  
Secretary